



Nov. 12, 2014

House Committee on Commerce
The Honorable Frank Foster
Michigan House of Representatives
Lansing, MI 48909

Dear Chairman Foster and distinguished members of the Committee:

On behalf of the more than 100,000 activists of Americans for Prosperity-Michigan, I am writing in opposition to SB 1103 sponsored by Senator Randy Richardville that would continue Michigan's film subsidy program indefinitely. It is irresponsible and inexcusable to fork over hard-earned tax dollars to Hollywood movie executives when Michigan has other more important spending priorities that would better serve taxpayers.

At its heart, movie making is a trick—an illusion that requires the viewer to suspend their disbelief and trade in reality for Hollywood's version of reality. Unfortunately, policymakers who support film subsidies have suspended their disbelief and spent hard-earned tax dollars on a Hollywood fantasy.

In reality, film subsidies deliver a poor economic return on the taxpayer's investment. An Ernst & Young study commissioned by film subsidy advocates, found that in 2010 it cost \$112,800 in film credits per new job.¹ A 2010 study commissioned by Michigan's Senate Fiscal Agency concluded: "film incentives represent lost revenue and do not generate sufficient private-sector activity to offset their costs completely."²

State number crunchers in Pennsylvania, New Mexico, Connecticut, Arizona, Louisiana, and Massachusetts reached similar conclusions. Film credits simply do not pay for themselves. They are net transfers from state taxpayers to out-of-state production companies. State-sponsored analyses in all of these states found that film credits generate less than 30 cents in new state tax revenue for every \$1 in spending.³

Such overwhelming evidence has led leaders like former municipal bond analyst and Pontiac Emergency Manager Lou Schimmel to warn Michigan towns against trading tax revenue for supposed job creation. "I'm just about the biggest critic of these programs, because giving away the taxes of the city is so detrimental," Schimmel told the *New York Times*. "The money is needed for police, fire and trash pickup."⁴

To use Humphrey Bogart's famous last line in *The Maltese Falcon*, it is "the stuff that dreams are made of." Generating meaningful economic activity through film subsidies is a fantasy. State lawmakers should continue to embrace policies that generate real economic activity and give up pursuing Hollywood's MacGuffin.

I urge you to oppose SB 1103. Please don't hesitate to contact me directly to discuss this issue or legislation further, (517) 853-9073 or shagerstrom@afphq.org.

Sincerely,

Scott Hagerstrom
State Director
Americans for Prosperity-Michigan

¹ "Evaluating the effectiveness of state film tax credit programs," Ernst & Young, 05/01/12, commissioned by MPAA.

² "Film incentives in Michigan," Michigan Senate Fiscal Agency, 09/01/10, by David Zin.

³ "MPA Attacks Tax Foundation Critique of Film Tax Subsidies," Tax Foundation, 06/29/11, by Joseph Henchman.

⁴ "Michigan town woos Hollywood but ends up with bit part," *New York Times*, 12/03/12, by Louise Story.